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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

30 June 1982

MEMORANDUM FOR: Director of Central Intelligence

FROM : [REDACTED]
Acting National Intelligence Officer for USSR-EE

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SUBJECT : Reactions and Likely Responses to the Extension
of US Sanctions

1. The initial SOVA and EURA analysis of the reactions and likely responses to the extension of US sanctions are attached. Although they are not fully consistent, I provide both of them to you since they contain detailed factual information which may be useful to you in tomorrow's meeting with Deputy Secretary Olmer. We will continue work to produce an integrated assessment in preparation for the NSC meeting on economics (an effort which Maurice Ernst is getting underway today).

2. For your use tomorrow, here is my own analysis of the situation which is based mainly on the factual data provided by SOVA and EURA:

--For the Soviets:

-The main objective is to keep gas deliveries and the pipeline on schedule. The preferred Soviet option for the pipeline is likely to be persuading the West European turbine manufacturers (through threats and inducements) to circumvent the embargo and produce the turbines as planned. The backup alternative would be to seek the assistance of these firms, particularly Nuovo Pignone and AEG Kanis to produce the rotor sets for the Soviet designed GTN-25 turbine.

-The secondary objective is to use the issue to deepen European-US fissures.

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--European Governments have:

-Expressed dismay about the US decision but also concern not to envenom US-European relations further.

-Shown no inclinations to abandon the project and the French and Germans in particular have reiterated their commitment to it.

-Not yet come up with a concerted plan in reaction to the US decision.

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3. In essence all parties involved are trying to figure out what to do. For the US, the most important decision will be that taken by the European governments. I believe that, even though the Europeans will go ahead with Soviet gas purchases and the

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pipeline construction, their next step will be to consult with the US about how to resolve the issue in an Alliance context and without widening further the divisions between the US and Europe. The best course for us right now seems to be to continue monitoring the situation and to see what the Europeans officially come up with. We can then see if the shock effect of the USG decision has made them more amenable to true compromise than they were in Versailles and decide on our next move accordingly.

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Attachments:

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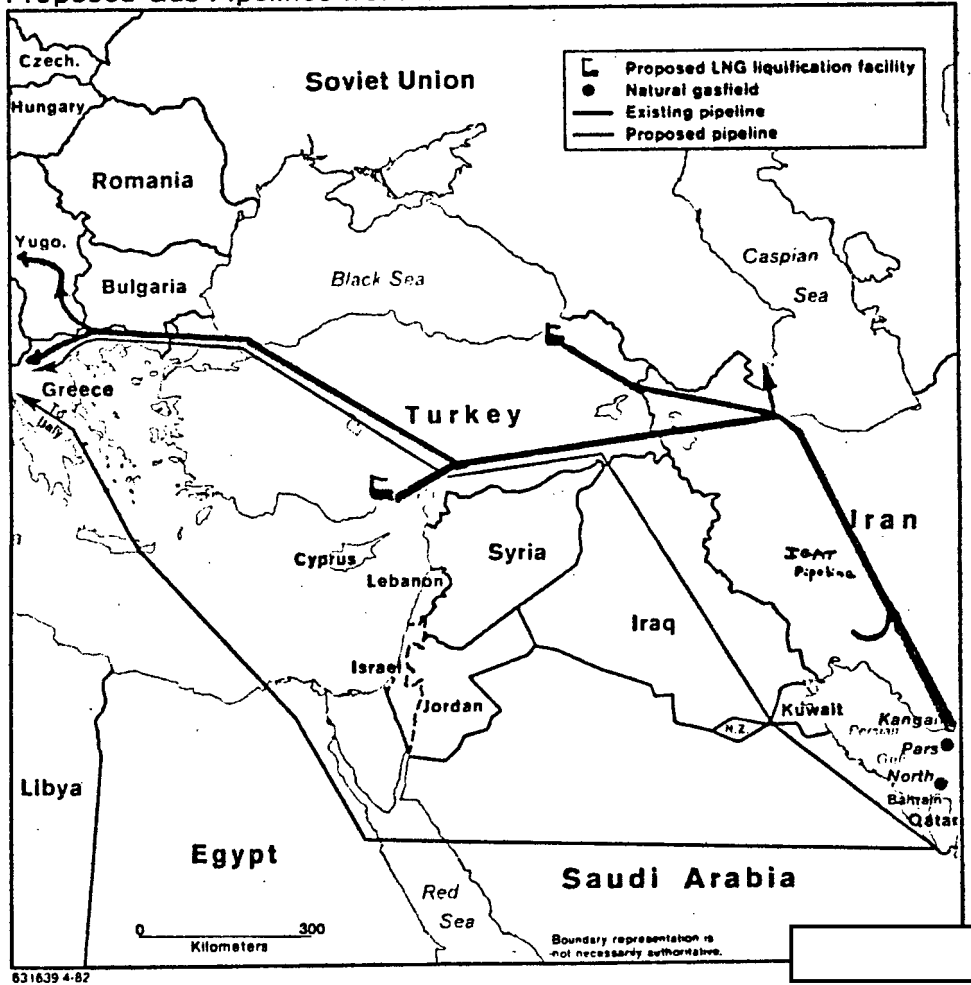
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Proposed Gas Pipelines from the Persian Gulf



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